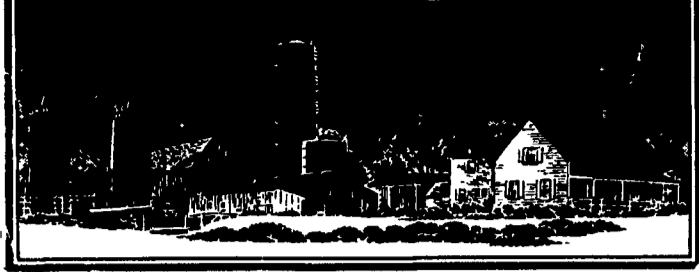


## Farm Management



### IT TAKES TWO EYES TO MANAGE A BUSINESS

Roland P. Freund  
Extension Farm  
Management Agent

Forty years ago farmers were able to keep about 40 cents out of each dollar of farm income for family living and capital purchases. At that time, most of them could make a living and maintain the farm without worrying about fine-tuning anything in their business.

Today, on many of our farms, that margin has dropped to about 20 cents on the dollar. This means that it does not take many mistakes and the family is fresh out of bread money.

This situation is not unique to agriculture. We are in a more competitive world where all business managers must plan very carefully to even survive.

#### One-Eye Approaches

A "right-eye approach" to this problem is to pay lots of attention to the expense side of the business. The "economizers" among us will scrimp and scrape on costs in the belief that "a penny saved is a penny made." Unfortunately, this often results in starving "the goose that lays the golden egg." Even a blind person could quickly identify a symptom of this syndrome when

she runs her hands over the protruding bones of the cows.

The "left-eye approach" is to concentrate all the attention on producing one's way out of trouble. In the past, this strategy has been very successful for some. Unfortunately, it often results in pouring more inputs — particularly grain concentrates and the latest and greatest additives into cows — to the point where returns are actually diminished. In a dairy, this can manifest itself through acidosis, lameness, and ironically, the skinny herd problem again.

#### What Should We Look At?

There is no single solution to every farm's problem. There is no silver bullet that will slay the dragons that are dragging our businesses down. But there are many tools that we have at our disposal right now which can help us identify and correct problems.

We have financial records, our production records, and our special records such as field, herd, DHIA and somatic cell. If we combine the evidence that we can gather from these sources, and look at them with two eyes, we can gain more depth perspective. This will help us identify root causes to problems and

focus our management attention. But we need a systematic approach to guide the process.

Analyzing our past performance is the first step in a survival strategy. In this process we can identify our business's strengths, weaknesses, opportunities, and threats (SWOT analysis). To do this, we will need our financial (tax accounting) records, beginning and ending inventories for the year, and the above-mentioned production records.

#### Which Measurements Should Be Examined?

Good accounting and business management services offer profit and loss statements which are adjusted for balance sheet changes. These are also called accrual-adjusted income statements. They enable us to focus on what was produced (rather than only what was sold) and the total impact of that process on the business. In addition, they should present some important financial information for the year, such as change in net worth, debt-to-asset ratio, current ratio, return on assets, percent of income to pay operating expenses, and term-debt coverage ratio.

Ideally financial measures should also be related to the production unit applicable to the major enterprises. These might be expressed as profit margin per acre, per bushel, per cow, per CWT., etc. This requires some careful record-keeping and quite sophisticated analysis processes.

#### Tools Available

Finpack from the Center for Farm Financial Management, University of Minnesota, is more user-friendly and affordable to farmers. For \$595, it can be in-

stalled on any Windows 95 or later computer. A free demonstration version is available from your farm management agent.

Finpack is the most comprehensive farm financial planning and analysis system available. It enables the farmer to quickly and easily develop balance sheets and year-end analyses. In addition, if we wish to focus both eyes forward, its very powerful planning modules efficiently prepare strategic (long-range) and cash flow plans. This great cash-flow planner alone is worth the price of the entire package.

#### Training Offered

A two-day training session for Farmer Finpack will be offered at Cumberland County Extension Office on Tuesday, March 20 and Thursday, March 22. Hands-on computer training will commence each day at 9:30 a.m. and end by 3 p.m. A fee of \$40 will be charged for each computer utilized. Basic Windows and keyboard skills are a prerequisite. Attendance will be limited to the first 10 registrants who send in the \$40 fee.

For more information and to register, contact, Cumberland County Extension Office, 1100 Claremont Road, Carlisle, PA 17013, (717) 240-6500 or e-mail rfreund@psu.edu.

## Report On Pa. Junior Holstein Convention

(Continued from Page D28)

#### Folding Display Contest

The Pennsylvania Junior Holstein held its Folding Display Contest during the Junior Holstein Convention. There were seven participants.

The junior division contest winners were: Hannah Bachman, Potter County, with the display, "Calves are babies too;" David Wilson, Juniata County, with "Not always black and white;" Jordy McIlwain, Tioga County, with "The milk sample!;" Melissa Harper, Berks County, with "An antibiotic vs. mastitis;" and Corbin/Clayton Wood, Adams County, with

#### "Shoot for the stars."

The senior division winners were:

Trisha McIlwain, Tioga County, with "Holstein Trivia," and Desirae Hillegass, Somerset County, with "Got Holsteins?"

#### Photo Contest Winners

The Pennsylvania Junior Holstein held its annual Photo Contest during the Junior Holstein Convention. Amanda Gates, Centre County, won the "People" category. Bethany Trotter, Lawrence County, won the "Animal" category, and Matt Shoenfelt, Perry County, won the "Scenery" category.

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